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THE WHITE HOUSE

WASHINGTON

July 4, 2008

The Honorable Carl Levin
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Chairman Levin:

Thank you for the opportunity to reiterate the Administration's policy regarding oil production sharing contracts with the Kurdistan Regional Government (KRG).

United States policy strongly discourages oil production sharing contracts between private companies and regional governments in Iraq, including the KRG, prior to the enactment of national hydrocarbon legislation authorizing such contracts. This policy is embodied in a cable to the United States Embassy in Baghdad dated August 3, 2006. I understand that you have been provided with a copy of this cable. The United States Government also has announced this policy publicly.

To implement this policy, the United States has been in a position to request companies, including U.S.-based companies, not to enter into any oil contracts with regional governments in Iraq and to advise those companies of the legal and political risks of doing so.

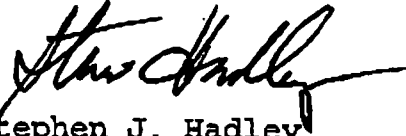
You have asked the United States to request that U.S.-based oil companies withdraw from oil production sharing contracts already signed with the KRG. The Administration shares your view that it would have been better had these contracts not occurred. We do not believe, however, that seeking the termination of oil contracts between the KRG and private companies based in the United States would substantially advance efforts to resolve the impasse with the KRG on national hydrocarbon legislation in Iraq. Oil production sharing contracts between U.S.-based private companies and the KRG constitute only a small number of the approximately two dozen oil production sharing contracts to which the KRG is a party.

The United States continues to encourage both the KRG and the national government of Iraq to resolve their differences and

to agree on national legislation that will allow companies to pursue opportunities with a clear legal framework across Iraq.

Please let me know if we may be of further assistance regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Hadley", with a stylized flourish at the end.

Stephen J. Hadley
Assistant to the President
for National Security Affairs